

## Message Text

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71

ACTION IO-14

INFO OCT-01 ADP-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

OMB-01 TRSE-00 ABF-01 EB-11 AID-20 IGA-02 SS-15 NSC-10

CIAE-00 INR-10 NSAE-00 PA-03 USIA-12 PRS-01 L-03 H-03

RSR-01 /181 W

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P R 171750Z JUL 73

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 528

INFO USMISSION USUN

AMEMBASSY LUSAKA

UNCLAS GENEVA 3674

E.O.11652 NA

TAGS UN ECOSOC

SUBJ 55TH ECOSOC: ITEM 21-UN ASSISTANCE FOR ZAMBIA

1. SIR ROBERT JACKSON, COORDINATOR OF UN ASSISTANCE FOR ZAMBIA, BEGAN STATEMENT WITH PLEA THAT ZAMBIA, IN BEARING HEAVIER BURDEN THAN ANY OTHER MEMBER STATE ON SANCTIONS AGAINST SOUTHERN RHODESIA, SHOULD NOT BE LEFT ALONE. STRESSING COOPERATION OF UN SYSTEM SIMILAR TO "ONE VOICE" PRINCIPLE USED IN BANGLADESH, HE SAID ZAMBIAN GOVT APPLYING THREE PRINCIPALS TO ITS ACTIVITIES RESULTING FROM CLOSING OF ITS SOUTHERN BORDER. FIRST, DO EVERYTHING WITHIN OWN POWER TO SOLVE THESE PROBLEMS. SECOND, USE OWN RESOURCES WITH MAXIMUM EFFICIENCY. THIRD, ENSURE THAT EXTERNAL ASSISTANCE IS LIMITED TO ESSENTIALS. IN ESSENCE, GOVT TAKES INITIATIVE WITH UN DOING ALL IT CAN TO ASSIST GOVT.

2. ON COSTS OF CAPITAL REQUIREMENTS FOR REROUTING 50 TO 60 PERCENT OF EXTERNAL TRADE, ORIGINAL ESTIMATE OF K65 MILLION FOR NEXT THREE YEARS REVISED DOWNWARD TO K42.6 MILLION, WITH K19.6 MILLION TO BE SPENT THIS YEAR AND K29 MILLION TO BE SPENT IN TWO SUCCEEDING YEARS. DOWNWARD REVISION  
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MAINLY RESULTED FROM LOWER IMPORT PROJECTIONS AND

CONSIDERABLE DECREASE IN ESTIMATED NUMBER OF TRUCKS NEEDED. APPEARS THAT GOVT HAS COVERED ALL OF THIS YEAR'S REQUIREMENTS AND ROUGHLY 75 PERCENT OF TOTAL FOR THREE YEARS THROUGH BILATERALLY NEGOTIATED GRANTS AND LOANS ON BOTH SOFT AND COMMERCIAL TERMS.

3. DESPITE ENCOURAGING CAPITAL PICTURE, THERE ARE OTHER COSTS WHICH LIKELY WILL INHIBIT DEVELOPMENT OVER MEDIUM AND LONGER TERM. FOR EXAMPLE, BUDGET DEFICIT EXPECTED TO INCREASE BY 26 PERCENT TO BE MET BY DEFICIT FINANCING THUS INCREASING INFLATIONARY PRESSURE ALREADY AGGRAVATED BY EXPECTED 20 PERCENT DECREASE IN IMPORTS. FALL IN COPPER EXPORTS RESULTING FROM REROUTING EXPECTED TO BE ABOUT 2 PERCENT THIS YEAR AND 6 PERCENT NEXT YEAR. ALSO RETARDING OF NATIONAL DEVELOPMENT PLAN BY AS MUCH AS 30 PERCENT. HOWEVER ALL THESE COSTS ARE DIFFICULT TO QUANTIFY AND REPORT CONFINED TO DIRECT CAPITAL COSTS ALREADY NOTED PLUS INTEREST CHARGES ON PORTION OF CAPITAL NOT COVERED BY GRANTS AND RECURRENT COSTS.

4. ON INTEREST CHARGES, PRESENT VALUE OF SOFT LOANS DIRECTLY RELATED TO BORDER CLOSING CALCULATED AT 5 PERCENT, TAKING INTO ACCOUNT REASONABLE EXPECTATIONS FOR GROWTH OF ECONOMY. SOFT LOAN TOTAL TO DATE IS K20.2 MILLION. PRESENT VALUE IS THUS K12.9 MILLION OF WHICH K8.4 MILLION IS PRINCIPAL AND K4.5 MILLION INTEREST.

5. RECURRENT COSTS MORE DIFFICULT TO FIGURE. CURRENT REVIEW PLACES THESE COSTS AT ABOUT K34 MILLION FOR 1973, MUCH OF WHICH INCLUDED IN ESTIMATED K24 MILLION IN INCREASED FREIGHT COSTS. ESTIMATED COSTS FOR 1974 ASSUME 10 PERCENT INCREASE IN IMPORTS AND ARE PROJECTED AT K46.14 MILLION. TO MINIMIZE INFLATIONARY PRESSURE FROM THESE INCREASED COSTS, GOVT INTENDS USE ANY GRANTS TOWARD RECURRENT COSTS IN WAYS, MUTUALLY AGREED WITH BILATERAL DONOR, TO MAINTAIN STABLE PRICES FOR NECESSITIES. IN SUM ADDITIONAL COSTS FOR 1973 ESTIMATED TO BE ONE-THIRD OF PRESENT VALUE OF SOFT LOANS OR K4.3 MILLION PLUS K34 MILLION IN RECURRENT COSTS, OR ABOUT K38 MILLION.

6. SECRETARY GENERAL IN IMPLEMENTATION OF SECURITY COUNCIL RESOLUTION 329 SUGGESTS FOLLOWING FIVE WAYS OF HELPING ZAMBIA. FIRST, BY REINFORCING GOVT'S OWN ACTIONS IN RESOLVING PROBLEMS

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CAUSED BY BORDER CLOSURE, I.E., BY EXERTING PRESSURE TO HAVE 20 PERCENT SURCHARGE ON LOBITO TRAFFIC REDUCED. SECOND, BY PROVIDING ADDITIONAL ASSISTANCE FROM WITHIN UN SYSTEM SUCH AS ADDITIONAL TECHNICIANS FROM SPECIALIZED AGENCIES AND UNDP. THIRD, BY KEEPING IN TOUCH WITH GOVT TO PROVIDE ADDITIONAL SPECIALISTS AS NEEDED. FOURTH, BY MAINTAINING SMALL OFFICES IN NEW YORK AND LUSAKA. FIFTH, BY INTRODUCING CONSULTATIVE ARRANGEMENTS IF REQUESTED BY GOVT.

7. REVIEW CONCLUDED WITH STIRRING EXHORTATION TO DO MORE  
AND MORE QUICKLY IF ZAMBIA IS TO AVOID UNDUE BURDENS. PLEASE  
NOTE THAT ONE ZAMBIAN KWACHA EQUALS \$1.66.BASSIN

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